The Center for the Regional Economy

The Economic Impact of Saint Mary’s College On the Local Community

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The Project: Introduction and Overview

This report describes the economic impact of Saint Mary’s College on the Town of Moraga and the wider Lamorinda community. It addresses the question: what do the students, faculty and staff, along with the College’s physical plant and facilities, contribute to the economic vitality of the Town and the local area?

To answer this question, this report analyzes various ways that the College interacts with the community, both quantitatively and qualitatively. The analysis includes, but is not limited to, (1) the expenditures of students, faculty, staff and the College, (2) their contributions to demand for local business, and (3) the value of public uses of the College’s facilities and its public events. Unlike most broad-brush economic studies of colleges and universities, this study uses specific data collected from within the College and results of extensive surveys of students, faculty, staff and local businesses, conducted during the 2007-2008 academic year and summer/fall 2008.

The project was directed by professors Kristine Chase, Ph.D., director of the Center for the Regional Economy, and Mary Coe, MBA, an adjunct faculty member in the Business Administration Department. Professor Coe teaches business statistics and was responsible for survey preparation and administration, supervising the student interns and working with professor Chase in designing and preparing the report. Professor Chase was responsible for researching comparable studies, working with professor Coe in the analysis of the data and for writing/preparation of the report. Two SMC undergraduate students, Greg Zeman and Chris Campbell, worked as interns in the spring 2008 term, with one continuing into summer 2008, leading the on- and off-campus data collection. Professor Coe included the preparation of the survey work in her spring 2008 business statistics classes.

This report is organized as follows:

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**Executive Summary**

With an annual budget of almost $100 million, a payroll of about $50 million, 3,500 full-time equivalent students and 1,000 non-student employees, SMC has a considerable economic and cultural impact on Moraga and Lamorinda. Using data from the 2007-08 academic year, supplemented by extensive online surveys of students and employees and in-person interviews of local merchants, this study documents the specifics of the varied impacts SMC has on the local economy.

The direct local economic effects of SMC-originated and related spending are substantial. Most employees, students and visitors come from outside Moraga and are only here because of the College. Further, SMC provides an employment and consumption base that is relatively immune to broader economic cycles that affect Moraga.

Though data challenges make it difficult to produce exact figures, SMC itself remits $7 million annually to Lamorinda vendors. Undergraduate and graduate students and employees add several million more in spending, and 200,000 campus visitors probably add at least $2 million more. Given local sales tax revenues of $10,000 per each million in taxable sales, SMC-related sales tax collections by local cities easily total more than $200,000 annually. This does not include additional spending by the 20 percent of the College’s employees who live in Lamorinda.

Survey results support these figures and highlight the importance of SMC to the local business community. For some local firms, SMC-related sales represent around 40 to 50 percent of total gross income. Large percentages of students and employees shop locally for groceries, clothes and sundries, and they eat out regularly in local restaurants. Clearly, without the College, not only would this spending not occur, but many local businesses would not exist and could not generate local tax revenues. Thus, the College’s impact on the health of local governments is very significant.

Finally, SMC provides large benefits to the local community apart from expenditures. These come in many forms: cultural and athletic activities, sports camps for local youth, access to the SMC library and Hearst Art Gallery, and essentially unrestricted access to the College’s large open spaces of playing fields, picnic areas and hiking trails. Student volunteers provide thousands of hours of support to local organizations, and students are a well-educated and ready workforce for the local area. In addition, SMC provides about $50,000 in complimentary space usage on campus to local organizations for meetings and events.
Acknowledgments

We would like to thank the following individuals (in alphabetical order) who assisted us in gathering information about the College. This report would not have been possible without their assistance.

Any errors and/or omissions remain entirely our responsibility, including the omission of anyone who has been inadvertently left off this important list.

Sharon Cahill, Assistant Director, CLAM
Tom Carter, Dean for Academic Resources
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Carol Firestone, Assistant Director, Events and Conferences
Sue Hooks, Assistant Controller and Budget Analyst
Adam Kennedy, Director of Summer Athletic Camps
Guido Krickx, SEBA Associate Dean and Director of Graduate Business Programs
Priscilla Muha, Director of Financial Aid
Mark Papadopoulos, Associate Director for Athletic Operations
Jennifer Pigza, Associate Director, CILSA
Sharon Radcliffe, Associate Librarian
Bill Sullivan, Director, Scheduling and Promotion
Michael Viola, Assistant Director, Physical Plant
Saint Mary’s College in the Local Economy

The Impact of SMC Spending, Employment and Visitors

Saint Mary’s College moved to Moraga from Oakland in 1928, and constructed the central part of campus. Since then, the College has grown along with the local community, reaching an undergraduate enrollment of 2,504 students in fall 2007. Of these, 1,506 lived on campus and 998 off-campus. The off-campus undergraduates live primarily in Lamorinda and Walnut Creek, providing a significant demand for rental housing as well as goods and services in the local community. Survey data presented below document the substantial spending of this group, which supports local business and creates tax revenues for local communities.

In addition to the undergraduates, the College enrolls approximately 1,100 full-time and part-time graduate students in business, education and other graduate programs. Most of these graduate students attend classes in the late afternoon, evenings and weekends, making the campus well-used throughout the day and week. Graduate students do not generally live in the local community, but they add additional expenditures, as documented in the survey data analyzed later in this report.

The College’s annual budget for the 2007-08 academic year was approximately $92,743,000. Of this, about half was payroll for faculty and staff. More than $7 million in expenditures was vendor payments to individuals and businesses in Lamorinda. Including Walnut Creek, the amount is more than $15 million. Thus, the College is a major purchaser of local goods and services. These expenditures do not include significant local purchases by the College’s food service provider.

The full-time employment at the College includes employees of the contractors that provide dining, maintenance and bookstore services. The addition of these to the College’s payroll results in an estimated total payroll on campus of more than $53.4 million. Approximately 700 people work full-time at the College, 300 work part-time, and there are also more than 400 student employees. Thus, the total College-originated employment is about 1,000 people along with the student employees. Clearly, the College is by far the largest employer in Moraga and probably in the Lamorinda area.

The 1,000 non-student employees create a very large consumption base for local goods and services. Results from the survey of faculty and staff show that their expenditure contribution to local businesses, and thus their contribution to local sales tax collections, is very significant. As noted in the methodology section at the end of this report, this expenditure undoubtedly would not happen without the College; there is no alternative or potential alternative employer in the area. Using zip code data for employee residence and eliminating on-campus residents (so as to at least partially eliminate student employees) more than 20 percent of payroll addresses are in

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1 The numbers for 2008 are not significantly different.
2 Data limitations preclude a more specific breakdown of this expenditure, but clearly the College supports local business.
Lamorinda and less than 10 percent in Moraga. SMC provides an extremely stable employment base for the relatively small local economy. This means that economic swings that may impact the disposable income of Moraga residents are tempered by the College’s more stable spending base. While other communities may experience wide swings in consumption spending, and thus pressures on the viability of local business, Moraga (though not immune to such swings) enjoys much economic stability because of the College.

Employee spending is not the only way that the College impacts consumption in Lamorinda. An additional contribution comes from the many visitors to the College throughout the year. The College does not keep track of everyone who visits the campus, which is open to the public, but estimates are available for particular groups: Athletic events, prospective students and families who “check-in” with the Admissions Office, the Hearst Art Gallery, and through the office of the Committee for Lectures, Art and Music (“CLAM”). The following are the annual estimates for these six areas:

**Annual Campus Visitors**

- Athletics: (visiting teams and spectators) 57,000
- Prospective students and families 20,000
- Hearst Art Gallery 12,000
- Performing Arts and “CLAM” 4,000
- Graduation 7,000
- Soda Center: non-SMC usage 5,000

These 105,000 visitors join many others visiting their children who are students, meeting with faculty, cheering on local youth sports teams who use the campus, participating in other social and service club events, attending the many academic events open to the public, using the library, etc. With 2,500 undergraduate students, and assuming that each student receives two family visitors at least twice per year, a minimum of 10,000 visitors come to the campus. This estimate does not include the numerous trips of parents to the College’s summer sports camps. Thus, a conservative estimate of campus visitors is probably closer to 200,000 annually.

Estimating the amount of expenditures by these visitors is problematic, but a possible approach is to consider them in the same “expenditure category” as graduate students who come to campus from outside the area. The survey of graduate student expenditures showed that more than 75 percent spent money on snacks and/or meals when coming to Moraga. If 75 percent of campus visitors spent only $5, they would add $750,000 to the Moraga economy just for meals.

**Students and the Local Economy**

While the study produced very interesting survey data regarding the economic impact of student expenditures, it is possible also to estimate the amount of undergraduate student spending by using guidelines used by the California Student Aid Commission. These guidelines provide estimates for families to use in order to plan for the amounts that undergraduates must budget per year for food, housing, books/supplies, transportation and miscellaneous personal expenses. For on-campus students, some of their expenditures on food and housing are, of course, folded into
the College’s spending. However, many students do not have a meal plan and instead purchase food locally.

Using the Commission’s forecasted student budgets, total student expenditures (excluding on-campus food and housing) total $18,824,000 for the 07/08 academic year. Of course, some of this is spent outside of the area, and more than $6 million represents housing expenditures that are received by landlords in the surrounding area. Of these rental payments, a portion represents an indirect property tax payment to the local communities. Using student zip codes, about 1/3 of off-campus students live in Lamorinda, with more than 50 percent in Lamorinda and Walnut Creek. This creates a very stable rental demand for these areas. Below we apply the survey data to prepare estimates of the total amount actually spent in the local economy. Based on this data it is clear that SMC students provide a substantial consumer base for local business.

Saint Mary’s College and Local Tax Revenue

Colleges, though exempt from direct tax collection, generate substantial tax revenues for their local communities through the spending that is generated directly by the institution and indirectly by students, faculty, staff and visitors. Saint Mary’s College is no exception: the College is a major source of tax revenue, primarily through sales tax collections. In order to estimate this contribution, we use both explicit tax reports as well as estimates based on total expenditure in taxable categories. In addition, we estimate that of the 8.25 percent local tax rate, 1 percent of total sales accrue to the local government.

One explicit tax payment that was available was for the College’s bookstore, which produced almost $23,000 in sales tax revenue for Moraga in 2007. The other explicit amount is generated by the vendor who sells campus apparel at College events; the vendor paid approximately $2,100 in sales taxes to Moraga in 2007. Of course, the College itself generates sales tax payments, but the way the College currently classifies expenditures does not distinguish between taxable and nontaxable payments to vendors. If half of all payments to vendors in Moraga are taxable, then more than $50,000 of sales tax revenue would accrue to the town.

Using the Student Aid Commission budgets and making an adjustment for books purchased on campus and ignoring tax-exempt food purchases, we estimate that SMC students generate more than $60,000 in sales tax revenue for local communities. As will be clear from the student survey, a substantial amount stays local.

Graduate students, faculty, staff and visitors are the other categories of consumers who generate taxable sales for the local economy. Using the results of the surveys of graduate students, faculty and staff and the estimate of visitor spending given above, we estimate that this group generates approximately $30,000 in sales tax revenue for Moraga just from meals eaten out. Clearly, total sales tax revenue is substantially higher; a conservative estimate would be $60,000.

Thus, adding these amounts results in a total tax generation of close to $200,000 to the Town of Moraga. The budget for the Town of Moraga relies on sales tax revenue for 15.7 percent of its budget, or about $1.1 million. Clearly, SMC is a major source of revenue for the Town. Moreover, this estimate does not include the non-monetary contributions of the College in terms
of access to open space and College facilities, as noted below. Nor does it include the other taxes paid by the businesses which depend upon the College for their survival, as also discussed below.

**Community Benefits of Saint Mary’s College**

While the primary focus of this report is on quantifiable economic benefits to the local area, the College provides other benefits that are just as important. Local service groups use the College for regular meetings. The College’s playing fields are provided to the community at no cost and generally are available for recreational use when not being used by College groups. Some of these uses have quantifiable value. For example, based on records, we estimate that the use of the College’s buildings, which would normally be leased by service and other groups, provides a value close to $50,000 annually. This represents valuable support by College of the local community.

The College library is also open to the community, and community members may borrow materials. Regularly scheduled academic lectures which bring in world-renowned authors and commentators are open to the public, usually without charge. The Hearst Art Gallery is the only accredited gallery in the area and provides a regularly changing set of exhibits open to the community at a very low cost. Each year, more than 10,000 visitors enjoy the Gallery’s offerings. For the past 40 years, the College’s summer athletic camps have been an important part of what local children look forward to each year. In 2008, almost 1,400 young people enjoyed summer camps at the College. Each January the Children’s Show by the Performing Arts Department enchants over 2,000 elementary schoolchildren. The Soda Activity Center is the largest local venue for receptions, school fund-raisers and other events.

Further, the Lasallian mission of service to the community continues to be strengthened through service to the wider East Bay community. SMC students contribute thousands of hours of volunteer effort each year, including many which bring young people to the campus to encourage a love of learning and an aspiration to attend college. The College’s Catholic Institute for Lasallian Social Action (CILSA) estimates that in the 07-08 academic year, students working with CILSA’s community partners and on service-learning projects provided more than 56,000 hours of volunteer support for critical needs in the East Bay and San Francisco. These projects involved about half the undergraduate student body. This estimate doesn’t include the large number of volunteer hours provided through other campus organizations and athletics programs.

**Economic Impact of SMC: Results of Four Surveys**

Four surveys of different College constituencies were conducted during the spring and summer of 2008. Except for the survey of merchants, all were extensive online instruments using “Zoomerang.” Each asked questions about spending patterns (including specific businesses patronized), amounts spent and other activities for the individual in the Lamorinda area, with breakout responses for many questions detailing whether the spending was in Moraga, Orinda or Lafayette. The merchant survey involved in-person interviews with managers and/or owners of local businesses. The number of responses for the four surveys, along with the percentage of the total population, were:
SMC Undergraduate Students 156  (6.2 percent)
SMC Graduate Students  68   (6.2 percent)
SMC Faculty and Staff  141   (15.6 percent)
Local Merchants     14   (NA)

Based upon questions asked within the survey, the above responses and response rate were found to be representative of the larger population in each case.

Undergraduate Student Survey Results

This survey was the most extensive (74 questions), looking not only at expenditures, but also at employment and other activities in the area. It is abundantly clear from the results that undergraduate students are a key part of the local economy. Further, they, perhaps even more than permanent residents, “shop local.”

As employees or regularly scheduled interns/volunteers, 58 percent have a paid or unpaid position. Of this group of students, 63 percent work off-campus in Lamorinda. Applying these percentages to the total population, about 950 undergraduate students work in the Lamorinda area. This is a key part of the local workforce.

As customers, these students definitely patronize the local stores. Some representative percentage statistics are:

Undergraduate Student Patronage of Local Businesses

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shop for groceries in Moraga (Safeway)</td>
<td>97 percent</td>
</tr>
<tr>
<td>Buy coffee in Moraga (Starbucks)</td>
<td>70 percent</td>
</tr>
<tr>
<td>Attend movies in Moraga (Rheem)</td>
<td>68 percent</td>
</tr>
<tr>
<td>Rent movies in Moraga (Blockbuster)</td>
<td>80 percent</td>
</tr>
<tr>
<td>Spend more than $20/month on clothes in Lamorinda</td>
<td>70 percent</td>
</tr>
</tbody>
</table>

These percentage statistics can be translated into dollar figures. For example, 64 percent of undergraduate students eat out two or more times each week in Lamorinda, and of those 94 percent spend $6 or more each time. Thus, an extremely conservative estimate of spending on meals or snacks out would be about $18,000 per week. If the typical student is in the Lamorinda area for 36 weeks/year, the total spent would be more than $650,000 (at the minimum of $6 per meal). A similar calculation for spending on groceries in Lamorinda yields a yearly expenditure of more than $775,000.

These statistics have great relevance to the economic viability of local businesses and local communities. As will be detailed in the section below on the merchant surveys, many businesses find that a substantial percentage of their sales is to SMC students. In addition, much of this spending generates significant sales tax revenue for the towns. For example, if 50 percent of the
conservative estimate above of spending on meals and groceries is subject to tax, this would represent more than $7,000 in sales tax revenue to the town budgets in Lamorinda.

Graduate Student Survey Results

The survey of graduate students was much more focused (10 questions), looking specifically at spending patterns and amounts spent in Moraga. Most of these students live outside Moraga and only come to the town to attend classes; about half visit the College one or two times per week. Thus, their spending represents a net contribution to the Town’s economy.

Graduate students do a significant amount of shopping in Moraga. Survey results include:

<table>
<thead>
<tr>
<th>Graduate Student Shopping Patterns in Moraga</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shop for groceries while in Moraga: 55 percent</td>
</tr>
<tr>
<td>Other shopping while in Moraga: 43 percent</td>
</tr>
<tr>
<td>Fill car with gas while in Moraga: 38 percent</td>
</tr>
<tr>
<td>Spend on meals or snacks while in Moraga: 76 percent</td>
</tr>
<tr>
<td>Spend more than $10 on meals: 33 percent</td>
</tr>
</tbody>
</table>

The same approach to estimating total annual spending can give an approximation of total spending in Moraga by graduate students. As an example, with a total of 1,100 graduate students, 57 percent of whom shop in Moraga (for groceries and other items), if each individual spends $20 weekly for 36 weeks (which is a very conservative estimate based on the survey), the total annual spending in Moraga would equal about $450,000.

Faculty and Staff Survey Results

As noted above, the majority of SMC staff and faculty live outside Moraga and Lamorinda. Thus, like the graduate students, their local spending represents a net contribution to the local economy that would not be replaced if the College were not located in Moraga. The survey results were weighted more heavily with local residents than the overall zip codes of all employees, undoubtedly reflecting the fact that there are significant numbers of part-time faculty and staff who come to campus from outside the local area. However, survey respondents were still 66 percent from outside Lamorinda, and 82 percent from outside Moraga.

The survey of this group contained 48 questions that detailed spending patterns and amounts in Lamorinda, as well as volunteer and charitable activities. Specific businesses were listed, so that we could get a sense not only of the general spending patterns, but could determine which businesses are most patronized by the faculty and staff, who generally have the closest ties to the College, since they have come regularly to the area over many years.

Continuing the pattern of the students, faculty and staff patronize Lamorinda businesses regularly and in significant numbers. Some representative responses are:

<table>
<thead>
<tr>
<th>Faculty and Staff Patronage of Local Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>
Eat 2 or more meals out in Lamorinda each week 62 percent
Spend more that $26 per week on meals 52 percent
Have shopped at the Moraga Safeway 89 percent
Spend $50 or more on groceries weekly in Lamorinda 65 percent
Have shopped at either OSH or Ace Hardware in Moraga 50 percent
Have shopped at TJ Maxx in Moraga 53 percent
Have eaten at a fast food restaurant in Moraga 45 percent (average over 7 outlets)

With the College’s employment base, much of it in year-round employment, this represents a very significant consumption base for local business and a sizeable net addition to the taxable sales base for the towns. For example, using the survey responses, the local tax revenue from just meals eaten out is more than $7,000 each year.

Merchant Survey

In fall 2008, Greg Zeman, an undergraduate student intern, conducted an in-person verbal survey of 14 businesses in Lamorinda. Of these, 12 were in Moraga and 2 in Lafayette. All were chosen because they had been identified as heavily patronized through the earlier surveys. To preserve the confidentiality of the responses, the firms are grouped as follows:

<table>
<thead>
<tr>
<th>Type of Establishment</th>
<th>Number in survey</th>
<th>Percent Sales SMC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groceries/drugs/convenience</td>
<td>3 (Moraga)</td>
<td>20 to 30 percent</td>
</tr>
<tr>
<td>Deli/coffee/pizza/fast food</td>
<td>5 (Moraga)</td>
<td>10 to 60 percent</td>
</tr>
<tr>
<td>Fitness/tanning</td>
<td>2 (Moraga)</td>
<td>6 to 40 percent</td>
</tr>
<tr>
<td>Misc. Retail</td>
<td>2 (Moraga)</td>
<td>3 to 25 percent</td>
</tr>
<tr>
<td>Restaurant/Bar</td>
<td>2 (Lafayette)</td>
<td>15 to 70 percent</td>
</tr>
</tbody>
</table>

Each of the businesses was asked the same set of questions, focusing on their estimates of the percentage of their business accounted for by SMC students, employees and visitors; how they marketed to the College community and how they want the relationship to expand; whether they have problems in the relationship; and what might happen to their business if SMC were to disappear.

While averaging the responses would not be appropriate (since the businesses are of widely varying size), the results of the first question about the percentage of business generated by the SMC community are dramatic, as listed in the above table. For some of these firms (all of which are long-time and well-known establishments in Moraga and Lafayette) the majority of their business is accounted for by SMC students, employees or visitors. Five of the business owners or managers estimated that 40 percent or more of their business comes from the existence of the College. As we approached only a small selection of the businesses identified on earlier surveys, we have no reason to doubt that other area businesses would give similar results.
Concluding Comments and Recommendations for Continuing Research

The information obtained both through College data and through the surveys supports the conclusion that Saint Mary’s College results in an injection of many millions of dollars every year into local economies. Given that every million dollars of taxable spending generates $10,000 in tax revenue for the local communities, it is also clear that spending in Moraga by SMC students, employees and visitors generates a significant percentage of the sales tax revenue of the Town of Moraga. We have explicitly ignored multiplier effects, but for certain sectors of the business community (i.e. locally owned businesses), these effects do exist and thus strengthen our findings. Further, the College also provides a substantial rental demand that would not otherwise exist. This demand supports property tax revenues, as well as in-kind benefits that have a monetary value to the local community.

Merchant surveys indicate that many popular local businesses could not exist without the demand arising from the College. Additionally, the College provides without charge one of the largest areas of open space in the area, as well as cultural and athletic events that enrich what would otherwise be a purely bedroom community.

As this is the first economic impact study done for the College, we suggest that it be regularly updated and expanded. This expansion would include more merchants, both in Moraga and in the surrounding area. In addition, the surveys of campus groups need to be refined, based on our results, to focus on key questions across all three constituencies. We also suggest that there be established within the Office of Institutional Research a database which collects visitor and use statistics from all offices annually. This should include a survey that captures the incredible amount of local demand created by the annual graduation celebration. The College should work with the on-campus vendors to ensure that appropriate statistics of College use are collected in a format that facilitates this analysis. For example, vendor payments are often made to business headquarters, even though the actual outlet used is in Lamorinda. This means that the economic impact of the College is actually understated in the current study.
Appendix: Methodology Notes

Most economic impact studies focus on a straightforward “multiplier” analysis, estimating the amount that a college or university adds to a region’s output, income and employment. The estimates are based on a college’s employee and student expenditures and payrolls (actual and estimated) to which are applied a multiplier to calculate the secondary expenditures and income impacts on the local economy. Such an approach reflects the commonly accepted economic concept of the multiplier: spending by a college creates increases the income of the recipients of the spending, and that increased income creates additional spending throughout the relevant community.

The methodological issues with the “multiplier” approach have been discussed at length in other studies. First, it assumes that all spending, both initial and subsequent, occurs within the study area; there are no “leakages.” The smaller the study area, the less realistic is this assumption. Second, the implicit belief behind most economic impact studies is that the spending would not have occurred in the absence of the institution. For many economic regions, this is a questionable assumption. For example, an impact study that attributes a significant impact from a local state college on the entire state’s economy (where there are multiple colleges) undoubtedly overstates the economic impact of the local college, since it is likely that students would have attended another in-state institution and that employees would have been employed by other local employers.

In considering SMC’s impact on the local economy, the first concern discussed above is compelling. It is highly unlikely that most, if any, subsequent rounds of spending flowing from the SMC budget remain wholly in Moraga, or even Lamorinda. Many of SMC’s expenditures occur outside of the area, and most employees live outside of the area. Thus, we have decided not to use a multiplier approach to determine the impact of expenditures on the local economy. Instead, we have estimated the direct expenditures made in the area through specific research and through surveys.

However, and very importantly, the second concern discussed above is not relevant for SMC. Clearly, if SMC were not in Moraga, it is highly unlikely that some other large employer or institution would have located here. Thus, there is no viable substitute for the College in generating spending and we can assume that all spending in the local community flowing from the College is a net contributor to the local economy.

We, therefore, have focused on determining the demand for local goods and services created by the College, as well as in-kind services that the College provides. We feel confident that this represents a good approximation of SMC’s local economic impact.

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